GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4360
ANSWERED ON:19.05.2006
CREDIT POLICY
Nahata Smt. P. Jaya Prada;Sethi Shri Arjun Charan

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has recently announced new credit policy for banks;

(b) if so, the details thereof;

(c) whether Small Scale Industries Sector is not satisfied with this credit policy; and

(d) if so, the steps taken by the Government to remedy the situation?

Answer

(MINISTER OF STATE IN THE MINISTRY OF FINANCE) (SHRI P A WAN KUMAR BANSAL)

(a) & (b): Reserve Bank of India(RBI) has announced its Annual Policy on April 18, 2006 for the year 2006-07. The salient features of the poli(;y, inter-alia, include the following:

Focus on credh quality and financial market conditions for maintaining macroeconomic, in particular, financial stability.

Monetary and interest rate environment enabling growth momentum consistent with price stability.

Bank Rate, Reverse Repo Rate, Repo Rate and Cash Reserve Ratio kept unchanged.

Deposits projected to grow by around Rs.3,30,OOO crore for 2006-07.

Appropriate liquidity to be maintained to meet legitimate credit requirements, consistent with price and financial stability.

Provisioning for standard advances ralHed to 1.0 per cent for personal loans, capital market exposures, residential. housing beyond Rs.20 lakh and commercial real estate loans.

To ensure a monetary and interest rate environment that enables continuation of the growth momentum consistent with price stability while being in readiness to act in a timely and prompt manner on any signs of evolving circumstances impinging on inflation expectations.

To focus on credit quality and financ:ial market conditions to support export and investment demand in the economy for maintaining macroeconomic, in particular, fmancial stability.

(c) & (d): There are reports in a section of the Press about the small scale sector being not satisfied with certain aspects of the Annual Policy Statement of the RBI for 2006-07. They mostly relate to Bank Rate, Reverse Repo Rate, Repo Rate and Cash Reserve Ratio being kept unchanged. It has been clarified by the RBI in the Annual Statement on Monetary Policy for the year 2006-07 which is also a part of the Annual Policy Statement 2006-07, that the overall stance of the Monetary Policy at this juncture will be:

To ensure a monetary and interest rate environment that enables continuation of the growth momentum consistent with price stability while being in readiness to act in a timely and prompt manner on any signs of. evolving circumstances impinging on inflation expectations.

To focus on credit quality and financial market conditions to support export and investment demand in the economy for maintaining macro-economic, in particular, fmancial stability.

To respond swiftly to evolving global developments.

As a part of monetary measures in keeping with the overall stance Bank Rate, Reverse Repo Rate, Repo Rate and Cash Reserve Ratio have been kept unchanged.